

VZCZCXYZ0000
PP RUEHWEB

DE RUEHMU #1505/01 1911629
ZNY CCCCC ZZH
P 101629Z JUL 06 ZDK
FM AMEMBASSY MANAGUA
TO RUEHC/SECSTATE WASHDC PRIORITY 6918
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHCV/AMEMBASSY CARACAS 0729
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RHEHNSC/NSC WASHINGTON DC

C O N F I D E N T I A L MANAGUA 001505

SIPDIS

SIPDIS

DEPARTMENT FOR WHA A/S SHANNON AND WHA/CEN

E.O. 12958: DECL: 07/10/2016
TAGS: [PGOV](#) [PREL](#) [PINR](#) [KDEM](#) [NU](#)
SUBJECT: ASSISTANT SECRETARY SHANNON,S MEETING WITH MFA
CALDERA

Classified By: Ambassador Paul A. Trivelli. Reasons 1.4 (B,D).

¶1. (C) Summary: On June 26, A/S Shannon discussed with Foreign Minister Norman Caldera election concerns and the OAS' role, the Hugo Chavez factor, and how best to "stop the clock" on constitutional changes due to go into effect in January 2007. Caldera believed the OAS and other observers should monitor FSLN presidential candidate Daniel Ortega closely to ensure he did not rig the electoral outcome in November. The Nicaraguan Government (GON) was also seeking OAS intervention to block the Ortega-Aleman inspired constitutional changes, possibly convincing all parties to agree to postpone their implementation with the understanding that a constitutional assembly would eventually address these and other issues. Caldera agreed with A/S Shannon that the Chavez oil deal is a political ploy to favor Ortega's candidacy. Still, he believed the GON can exploit Ortega's need for GON cooperation on the initiative to gain FSLN support for other objectives, while the GON stalls on facilitating the oil deal. End Summary.

¶2. (C) In the absence of President Bolanos (who was in the United States helping his son Javier move to Duke University Medical Center for cancer treatment), A/S Shannon met on June 26 with Foreign Minister Norman Caldera, the Nicaraguan Ambassador to the United States, and two of Bolanos's senior advisers. Leading Caldera's list of issues were the November elections and the importance of a robust OAS presence during the electoral process. Caldera sought A/S Shannon's views on how best to stop the clock on the constitutional changes due to go into effect in January 2007. He also raised Venezuelan President Hugo Chavez's overt support for Sandinista (FSLN) candidate Daniel Ortega and the possibility of taking advantage of Chavez's oil offer.

OAS CAN HELP PREVENT A RIGGED ELECTORAL OUTCOME

¶3. (C) Nicaragua's November 5 election led Foreign Minister Caldera's list of concerns. Senior political adviser Frank Arana noted that an OAS technical and political presence was required to offset the efforts of Daniel Ortega and Arnoldo Aleman's pact to use fraud to enable Ortega to win the election and Aleman to secure enough National Assembly seats to protect his interests. While Arana opined that technically speaking the OAS had been adequately effective, he noted that a political mission would be crucial to checking the FSLN and PLC. He suggested that representatives from the prestigious Madrid Club, including former presidents Lagos, Paniagua, Hurtado, and Sanguetti, are the types of

heavy-lifters who could convince Ortega and Aleman that committing electoral fraud would cost them legitimacy. Shannon and Trivelli supported the Madrid Club initiative. Trivelli noted that a group of mid-level notables - former foreign ministers - had already visited Managua and would return as needed. Trivelli added that the Supreme Electoral Council (CSE) pledged to grant the OAS access to its software, which should reduce opportunities for fraud.

14. (C) Foreign Minister Caldera said Ortega knew he would lose unless he rigged the electoral outcome. He said the OAS and other observers should monitor Ortega every step of the way. He explained that over 200,000 individuals on the voter roster were deceased, even though the CSE, controlled by the FSLN and PLC, could draw on Health Ministry death certificates to remove the deceased voters. Further, 300,000 national/voter ID cards (cedulas) had not been delivered to their owners. An encouraging development was that party poll watchers representing Eduardo Montealegre's ALN alliance were omni-present during the recent vote verification process. Still, additional challenges remain. The three-member voter tables were controlled by the FSLN and PLC (Note: The first two members are FSLN and PLC. A disproportionate number of third members belong to the tiny Alternative for Change (AC) party, which is largely sympathetic to the FSLN.) Moreover, the CSE had added the Council of Latin American Electoral Experts (CEELA) to the observer mix to further confuse. Caldera warned that because the CEELA was paid in part by the CSE, it would be less likely to challenge the CSE's policies or practices. CSE President Roberto Rivas had also challenged the UN offer to send a particular Panamanian observer (presumably Aristides Royo) because of the observer's reported "pro-Gringo" orientation.

BUYING TIME ON CONSTITUTIONAL CHANGES

- - - - -

15. (C) Assuming a clean, fair, and transparent election outcome, the new Nicaraguan government would face a crisis within days of its inauguration, warned Arana. Although polls showed that 75% of Nicaraguans rejected the constitutional changes set to go into effect on January 20, the FSLN was bent on implementing these constitutional reforms. The FSLN would oppose a referendum on the reforms - unless it was broadened to include a vote on CAFTA, Hugo Chavez's petroleum deal, and the Chavez alternative to CAFTA - ALBA, explained Arana. If Montealegre won the election, Ortega will be certain to impose the constitutional changes and Montealegre, like Bolanos, would become another president unable to govern. (NOTE: After the OAS brokered a governability agreement between Bolanos and Ortega last fall, the National Assembly passed a framework law (Ley Marco) that postponed the implementation of the constitutional changes until January 20, 2007. Soon thereafter, the ALN and President Bolanos called for a referendum on the changes. In recent months, PLC candidate Jose Rizo has come out in favor of the referendum in an effort to distance himself from the Ortega-Aleman pact. END NOTE.)

16. (C) Arana mentioned the possibility of another OAS intervention on the constitutional issue. This could include an effort to convince all parties to agree to postpone their implementation until 2008 or later, with the understanding that a constitutional assembly would eventually address these and other issues. He added that Dante Caputo has expressed interest in pursuing these possibilities when he returns to Managua on July 12. Trivelli concurred that delaying implementation of the constitutional changes and holding a constitutional assembly would be positive steps.

DANCING WITH CHAVEZ

- - - - -

17. (C) Shannon raised the issue of Venezuelan President Hugo Chavez's influence, specifically his proposed oil deal with the Sandinistas. Bolanos's Chief of Staff, Nayo Somarriba, remarked that the issue was not the offer, but how to play it

to the GON's, and not Ortega's, advantage. (NOTE: The offer entails paying for 60% of the oil up front and the remaining 40% at a 2%-interest rate over a period of several years. The GON opposed the Chavez initiative because, as it currently stands, the agreement was clearly linked to the FSLN.)

18. (C) Somarriba explained that given the FSLN's inability to store and distribute the Venezuelan oil without GON and national oil company Petronic action, Ortega was demanding GON support for the initiative in exchange for the passage of the Tax Reform Bill and other economic reform legislation as well as assurances that crippling demonstrations and work stoppages sponsored by the FSLN would abate. Caldera said that in a recent OAS meeting in the Dominican Republic, the Venezuelans offered to work on the oil deal with the Bolanos government and to sweeten the deal with \$27 million in debt forgiveness. Caldera recounted how he was noncommittal but open to the offer. He opined that the GON could use the situation to its advantage if it tacitly agrees to consider the offer in exchange for FSLN cooperation for the remainder of Bolanos' term. In fact, the GON would stall on any real progress on the oil project. Shannon remarked that the GON must do what it must, but noted that the Venezuelan oil deal would not reduce the cost of gasoline at the pump. Caldera concurred with Shannon's assessment, remarking that the Chavez deal is a political ploy to bolster the FSLN.

19. (U) Participants:

Nicaragua:
Foreign Minister Norman Caldera
Ambassador Stadhagen
Frank Arana
Nayo Somarriba
MFA senior adviser Ariel Granera

U.S.:
A/S Thomas Shannon
Ambassador Paul Trivelli
Senior Advisor Maria Tamburri
DCM Peter Brennan
Polcouns Victoria Alvarado (notetaker)

110. (U) Assistant Secretary Tom Shannon cleared on this cable.
TRIVELLI